

THE HISTORY AND SPECIFICITY OF COOPERATIVE BANKS IN POLAND

HISTORIA I SPECYFIKA DZIAŁALNOŚCI BANKÓW SPÓŁDZIELCZYCH W POLSCE

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Abstract: Cooperative banks are a specific element operating in the banking system. They base their activities on the following normative acts, namely: Banking Law and related legal acts. In addition, their activity is also based on legal provisions within the scope of Cooperative Law. The particularity of the institutions under consideration lies in the fact that their main goal is not solely oriented towards obtaining the highest profits. The core of their functioning is oriented towards satisfying the needs of their members. The genesis and history of cooperative banking is long. Originally, the purpose of this type of institution, which over time evolved into what we know today as cooperative banks, was to take action to combat usury. Furthermore, the retained objectives of these institutions include the promotion of social development.

Keywords: banking system, bank, savings and loan cooperatives, cooperative bank

Streszczenie: Banki spółdzielcze są specyficznym elementem systemu bankowego. Ich działalność regulowana jest nie tylko przez Prawo bankowe oraz inne akty prawne dotyczące sektora bankowego, ale także Prawo spółdzielcze. Specyfika tych instytucji polega także na tym, iż nie działają wyłącznie dla osiągnięcia jak najwyższych korzyści, lecz dla zaspokajania potrzeb swoich członków. Sama bankowość spółdzielcza ma dość długą historię. Pierwotnym celem instytucji, które z czasem przerodziły się w obecnie funkcjonujące banki spółdzielcze, była walka z lichwą oraz wspieranie rozwoju społecznego.

Słowa kluczowe: system bankowy, bank, spółdzielnie oszczędnościowo-pożyczkowe, bank spółdzielczy

Introduction

The banking system is one of the fundamental elements of the financial system of the economy of a country. It mainly includes banks which differ only in their specific legal forms. That is why we distinguish state banks, banks operating as joint stock companies, as well as cooperative banks. The current banking system in the Republic of Poland is the result of many reforms which were implemented in the past. Co-operative banks operate on the basis of provisions of law within the scope of banking and cooperative law. They are considered to be a unique and highly important element of the Polish banking system.

The main aim of this article is to present and discuss the essence of cooperative banking. The article has been divided into four cognitive parts.

The first part is intended to explain the term “bank” and “cooperative bank”. In addition, the legal conditions of the activity of banking institutions within the Polish banking system have also been presented in the respective part. The second part presents the cooperative banking on Polish territories in the historical perspective. The third part has been devoted to the specificity of functioning of cooperative banks. In the last part of this study, data such as the number of cooperative banks and their branches in Poland during the period under review were analyzed. It also presents the development of selected financial data over the last decade and an attempt was made to determine their main determinants.

The essence of cooperative banks

According to the literature on the subject, a “bank” is recognized as one of the basic elements present in the Polish banking system. Legal acts which regulate the scope of activity are first of all the Constitution of the Republic of Poland from April 2, 1997. In addition, also the legal basis of the institution is determined on the basis of such normative acts as the Banking Law of 1997, as well as the Bank Guarantee Fund Act of 1994 (Kaszubski, Tupaj, Cholewa, 2010, p. 21). The institution of a bank is often defined as entities whose primary purpose is the accumulation (collection) of money capital and its distribution. In addition, it is also possible to meet with the formulation that the term “bank” is defined as an institution whose purpose is to mediate in the occurring processes of transformation of the occurring risk and term. As a result, it is supposed to lead to the underpinning of a supply and demand structure (Iwanicz-Drozdowska, Jaworski, Zawada, 2010, p. 15).

According to Polish interpretations of the law, a bank is considered a legal person that is established under the adopted provisions of laws. Its operating is based on the authorizations and permits granted to conduct and perform activities in the field of banking. It should also be mentioned here that the activity of banks is marked by risk, which involves funds entrusted in any form, having a repayable nature (Ustawa Prawo bankowe, 1997, art. 2- art. 2 The Banking Act, 1997).

In the Republic of Poland, two key divisions of banks can be distinguished. In the first one, the Polish banking system is divided into: Central Bank, operational banks, universal banks and specialized banks. The second one distinguishes different categories based on the legal form under which they operate: state-owned banks, cooperative banks and banks operating on the basis of the regulations of joint-stock companies (<https://www.nbportal.pl>). Cooperative banks are an important part of the current Polish banking system. They are defined as credit institutions operating according to cooperative principles. Their activities are based mainly on binding borrowers with joint property responsibility for their activity (Leksykon Bankowy, 1993, p. 20). According to the existing provisions of the law, cooperative banks operate simultaneously under the principles of banks and cooperatives. Acting on the principles of banks, they have independence and must be self-financing. The scope of their activity is based on the accumulation of monetary resources, with the simultaneous settlement of these resources. Besides, in the range of their

activity there are also matters concerning granting both credits and loans. Considering the second approach of operating, that is as a cooperative, it should be noted that they have the possibility of a voluntary association of people, the main feature of which is the variability of composition. On the other hand, the activity is carried out by the share fund, whose task is to carry out the activity replacing its members (Orzeszko, 1998, pp. 84-85). The operating of cooperative banks is not based exclusively on the basic normative acts regulating the Polish banking system. Additionally, the scope of their activities is also specified by the provisions of the Act on the functioning of cooperative banks and their association and associating banks of 1982. The supplementary legal act which specifies the scope of activities of cooperative banks is the Act on the functioning of cooperative banks of 2000 (Narodowy Bank Polski – The National Bank of Poland, 2006, p. 34).

History of the development of cooperative banks in Poland

The first historical references to cooperative banking can be traced back to the Middle Ages. The original cooperative banks can be defined as places used by traders at that time to exchange means of payment. This took place between customers. In order to carry out the transaction the customer was obliged to deposit their means of payment (most often in the form of bullion). In return, they received a commercial certificate in the form of a promissory note, which they could execute with bankers in various towns (Orzeszko, 1998, p. 11).

In the Republic of Poland, the first mentions and information concerning cooperative banking corresponded to the beginning of development of cooperative activity in the country. It was initiated in the form of a social movement which openly opposed the economic exploitation of the population, while striving to provide constant support for the poorest groups and social classes (Komisja Nadzoru Finansowego – Polish Financial Supervision Authority, 2006, p. 11).

Since the dawn of time, mankind has tended to make all kinds of commitments, solely for the purpose of constantly satisfying their own needs. In the second half of the Middle Ages there occurred a situation in which the need of the population to have money intensified. At that time there was not enough money in circulation to meet the needs of all. Therefore, additional borrowing took place, which resulted in a reduction of the money supply, which in the end caused an increased risk of non-repayment of liabilities

incurred. Ultimately, this led to a phenomenon in which usurious activities became more and more popular and carried negative aspects for the least wealthy social groups. In order to combat this practice, church bans were issued. They proclaimed the principles of interest-free loans dedicated to the poorest social groups. It should also be mentioned that in the fifteenth century "pious banks" were created, and these banks followed the same motto as the church bans. However, it should be noted that in a given case the collateral for the loans taken out were movable property held by borrowers. However, in the nineteenth century, the initiators of units who already had an established and specific form of credit cooperatives were Raiffeisen and Schulze (Orzeszko, 1998, pp. 26-27, Mikołajczak, 1998, p. 244). The key purpose of the functioning of the institution they created in Germany, Austria and Prussia was to make small craftsmen and farmers permanently independent from the usurious lending practices of the time. Moreover, the established institution was not strictly oriented on generating profits. As a result, it was able to grant loans with a low interest rate. The interest was transferred to cover administrative costs and also to create financial provisions (Komisja Nadzoru Finansowego, 2006, p. 11).

In Poland, as in Western European countries, there were convergent premises for the emergence of cooperative banking. In reference to the institution created by Schulze and Raiffeisen at the time of the collapse of the January Uprising there was a rapid development of credit cooperatives (also known as savings and loan cooperatives). Their main purpose was to carry out social activities. An additional objective was considered to be the provision of banking services dedicated both to the associated members and also to the local population in whose territory the institutions operated (Orzeszko, 1998, pp. 30-31).

In Poland, the first savings and loan cooperatives were established during the partitions. At that time, the prevailing policy and socio-economic situation in individual partitions had a significant impact on the development of a given institution. An additional aspect that also influenced the formation of cooperatives was the legal milieu, which was different, depending on the partition (Komisja Nadzoru Finansowego, 2006, p. 11). At that time, various organizational cooperative banks were created. The main factor influencing their shape was the situation prevailing in individual partitions, with a particular focus on economic or legal aspects. However, in all the partitions, one common tendency was observed, namely the desire for a constant union of people in

order to form a cooperative union or banking (financial) centres (Stanisławski, 2003, p. 6).

In Poland, before the outbreak of World War I, there were nearly 5,000 savings and loan cooperatives (Orzeszko, 1998, p. 32). One of the fundamental and most important goals connecting all these institutions was the fight against unfair banking practices. Additional objectives adopted by cooperative banks were to undertake activities aimed at the permanent development of Polish society, as well as maintenance of Polish state ownership (Komisja Nadzoru Finansowego, 2006, p. 11). In the literature on this subject, one may find references to the first credit cooperatives operating on Polish territory. They were located in the Prussian partition. Their development was defined as the best and most effective (Orzeszko, 1998, p. 32). At this point it is possible to specify the oldest known credit cooperatives, i.e.: Śremski Spółdzielczy Bank Ludowy (operating since 1859), Towarzystwo Pożyczkowe dla Przedsiębiorców Miasta Poznania (since 1861), Towarzystwo Pożyczkowe located in Golub and Brodnica (since 1862), as well as The Credit Cooperative in Środa Wielkopolska (since 1864).

In the following years, there was a constant and successive development of the cooperative sector. This was manifested in the creation of new cooperatives, taking the form of societies, having a savings and loan character, or people's banks. In the Prussian partition, cooperative banking was the most effective. Its main objective was to support both economic and national goals. This was possible thanks to an effective credit system (Komisja Nadzoru Finansowego, 2006, p. 11). In the rural areas under Prussian rule, the most popular were cooperatives that operated in accordance with the assumptions and principles set out by Schultze. These principles were connected with the fact that in the initial phase of their existence they were focused on obtaining profit, i.e. they functioned in the form of profit-making cooperatives. Only after some time did they transform into people's banks. They were customarily called universal cooperatives, because as part of their functioning they brought together farmers, craftsmen or even workers performing other professions.

The activities of credit cooperatives were carried out in various ways. This was manifested by the performance of banking activities in the financial sphere. Additionally, the creation of other types of cooperatives, such as agricultural and commercial cooperatives, was also facilitated and supported. Moreover, the task of these institutions was to take extensive action to combat denationalization. These activities were manifested

by the promotion of Polish culture and national consciousness.

The first credit cooperatives operated on the basis of provisions of the law on associations and the civil law on companies. The financing of rural credit cooperatives was taken over from the National Bank by Krajowa Centrala Kasy Spółek Rolniczych (the National Central Agricultural Cooperative Fund), established in 1909.

A key figure who significantly contributed to the development of cooperative activity was Franciszek Stefczyk, who adapted the Raiffeisen system to the current conditions in Poland. This involved the defining and drafting of model statutes, which were binding for all savings and loan companies. Additionally, Franciszek Stefczyk took steps to expand the cooperative's activities in the credit aspect operating on the Raiffeisen principles. On the other hand, in the Austrian partition the functioning of credit cooperatives was regulated on the legal basis by the Austrian Act on Economic Revitalization and other associations of regulations on profit-making and economic associations. An additional legal act, which regulated the operation of credit cooperatives, was a regulation containing implementing provisions to the Act on the Revision of Associations (Orzeszko, 1998, pp. 33-35).

It is worth noting that both the Prussian and Austrian partitions became the precursors of the development of cooperatives in the lands of the Russian partition. The activity of these institutions in the Russian partition was not easy, since it required approval of all adopted statutes by the authorities of that time, and by the Minister of the Treasury. It should also be noted that in a given partition the activities of credit cooperatives were characterized by significant organizational differences (Komisja Nadzoru Finansowego, 2006, p. 12).

In the interwar period, Polish credit cooperatives significantly undertook efforts to restore Polish independence. Despite many efforts, the still irregular situation in the country and, first of all, the lack of legal regulations concluded in a uniform manner, did not help their development. The greatest problem for the development of credit cooperatives was organizational fragmentation, which was manifested by the lack of a main economic headquarters (Orzeszko, 1998, p. 35-37). In 1934, changes took place, which resulted in creation of "Związek Spółdzielni Rolniczych i Zarobkowo-Gospodarczych RP" – the "Union of Agricultural and Economic Cooperatives of Poland". Yet, in 1920, the Act on Cooperatives was adopted, which inaugurated the unification of legal provisions concerning the principles and forms of cooperative activity. The legal act in question

contained provisions on terminological unification and therefore the form "cooperative" was adopted. This involved making it possible to distinguish capital companies from cooperative institutions. Therefore the principle was adopted that companies were obliged to have it in their name (Komisja Nadzoru Finansowego, 2006, p. 12).

During World War II, the material foundations of credit cooperatives were almost completely ruined (Borycki, 2013, p. 126). This was due to the growing number of prohibitions imposed by the German authorities. These prohibitions, in their essence, forbade socio-educational, self-government and even cultural-educational activities. The exercise of control over cooperative banking was transferred to the local Banking Supervisory Authority (Urząd Nadzoru Bankowego) whereas, the Central Fund of Agricultural Companies (Centralna Kasa Spółek Rolniczych) in cooperation with the Cooperative Bank "Społem" was responsible for financial services for savings and loan cooperatives.

Immediately after the war, a new stage of development of cooperative banking in Poland began. Through the Manifesto of the Polish Committee of National Liberation, it was announced that the state would support the development of cooperatives, with emphasis on savings and loan cooperatives. In 1946, the Bank Gospodarstwa Spółdzielczego was created, which was the result of the merger of the Cooperative Bank "Społem" and the Centralna Kasa Spółek Rolniczych (Łukaszuk, 2018, p. 68). In 1948, a decree was issued on the banking system, which as a result led to the introduction of detailed changes and a number of reforms. To a large extent, they were aimed at liquidating the currently operating credit institutions, with the exception of the National Bank of Poland. New institutions were to be created in their place. Under the adopted decree, savings and loan cooperatives were transformed. At that time were created credit cooperatives as well as employee and municipal cooperative credit unions. During the implementation of subsequent reforms, only the latter have been preserved. However, they have lost their self-government and cooperative character. Therefore, starting from 1950, they gained the right to conduct full clearing activities including credit service for an individual farmer. In a similar period of time, Resolution No. 163 of the Presidium of the Government was issued, under which a new statute was accepted, which was to serve as a model for credit cooperatives. At the same time, a new name was established for this type of institution and since then it has been called "kasa spółdzielcza" – "cooperative fund".

This resolution designated the Supreme Cooperative Council as the superior body of self-governing cooperative credit unions. On the other hand, the National Bank of Poland performed a central function in the financial sphere, as well as in the audit and organizational sphere (Orzeszko, 1998, pp. 40-47; Dekret z dnia 25 października 1948 r. o reformie bankowej, Dz.U. 1948 nr 52, poz. 412).

In 1957, the Association of Savings and Loan Cooperatives was established. It served as an organizational and audit head office. Savings and loan cooperatives under the adopted Banking Law have gained the right to use the term "bank" in their names. In addition, at this point, they also gained prerogative to credit activities (Komisja Nadzoru Finansowego, 2006, p. 13). The next stage of the ongoing reforms in the field of banking was the adoption and enactment of the Banking Law in 1975 (Orzeszko, 1998, p. 51). In addition, at the same time, the Bank Gospodarki Żywnościowej – the Food Management Bank was established, having been created as a result of the merging of Bank Rolny – the Agricultural Bank with the Centralny Związek Spółdzielni Oszczędnościowo-Pożyczkowych – the Central Association of Savings and Loan Cooperatives. At this point, the newly created institution took over the function of both merged entities. In addition, it was designated as the head office in terms of finance, auditing, and organization. It was the foundation for all the units belonging to the Savings and Loan Cooperative (Komisja Nadzoru Finansowego, 2006, pp. 13-14).

Pursuant to the legal provisions in the banking law, it was ordered that all institutions operating on the principles of savings and loan cooperatives were obliged to use the new nomenclature, namely "Bank Spółdzielczy" – "Cooperative Bank". Legal regulations concerning both the functioning and their activities were defined by the Banking Law, as well as the Cooperative Law. This led to the constitution of the principles of functioning of cooperative banks, as well as of the Bank Gospodarki Żywnościowej – the Food Management Bank (Orzeszko, 1998, pp. 52-53).

In 1989, after the fall of communism in Poland, there were many, often revolutionary changes in the social, political and economic sphere. On the legal level, significant changes were adopted by the Cooperative Law Act (Ustawa Prawo

Spółdzielcze – The Cooperative Law Act). However the most significant legal change concerned the Banking Law of 1989. By its virtue, economic instruments dedicated to the National Bank of Poland were established, intended to systematize and fully regulate principles of bank activity management. As a result of the changes, cooperative banks became independent institutions, operating as self-financing institutions (Komisja Nadzoru Finansowego 2006, p. 14-15).

Since 1994, the cooperative banking sector has started an intensified merger period caused by intensifying market competition and legal requirements requiring banks to have own funds in a strictly defined value. (Uchwała nr 9/98 Komisji Nadzoru Bankowego z dnia 5 sierpnia 1998 r. w sprawie szczegółowych zasad wyposażenia banków spółdzielczych w kapitał założycielski, Dz.U. NBP nr 19/1998, poz. 44).

In Poland, since 2015, cooperative banks have been conducting their activities under the so-called IPS (Cooperative Protection System) created on the basis of the Act amending the Act on the Functioning of Cooperative Banks, Their Association and Associating Banks and certain other acts, as well as Regulations 575/2013 of the European Parliament and of the Council¹. Cooperative Protection Systems are designed to protect the joint responsibility of participants i.e. in terms of own funds, liquidity or the size of deposits (Łukaszuk, 2018, p. 68).

Specificity of the functioning of cooperative banks

Cooperative banks are one of the most important elements in the Polish banking system. They function within a three-tier system as they include cooperative banks as well as regional and national banks (Narodowy Bank Polski – The National Bank of Poland, 2006, p. 19).

As a rule, the main purpose of the functioning of banks is not to seek to make profits resulting from their activities. One of the fundamental purposes of this institution is to make efforts to satisfy the needs of its consumers, by providing proper customer service, as well as guaranteeing access to credit. However, in practical terms, this is almost impossible to achieve because each entity should operate on the basis of generating economic

¹ Rozporządzenie Parlamentu Europejskiego i Rady (UE) nr 575/2013 z dnia 26 czerwca 2013 r. w sprawie wymogów ostrożnościowych dla instytucji kredytowych i firm inwestycyjnych, zmieniające rozporządzenie (UE) nr 648/2012 (Capital Requirements Regulation, CRR) oraz Dyrektywa Parlamentu Europejskiego i Rady 2013/36/UE z dnia 26 czerwca 2013 r. w sprawie warunków dopuszczenia instytucji kredytowych do działalności oraz nadzoru

ostrożnościowego nad instytucjami kredytowymi i firmami inwestycyjnymi, zmieniająca dyrektywę 2002/87/WE i uchylająca dyrektywy 2006/48/WE oraz 2006/49/WE (Capital Requirements Directive IV, CRD IV), (OJ L 176/1 z 27.06.2013); Ustawa z dnia 25 czerwca 2015 r. o zmianie ustawy o funkcjonowaniu banków spółdzielczych, ich zrzeszaniu się i bankach zrzeszających oraz niektórych innych ustaw (Dz.U. 2015, poz. 1166).

profits. This implies the obligation to settle its own liabilities. In addition, it should also be noted that every institution generates costs; therefore without the profits obtained they would not be able to survive. That is why, according to this principle, cooperative banks strive to make profits, however their significance is smaller than in other institutions of this kind. In rural areas, generally, cooperative banks play an important role. This is because they are often the only banking institutions located in these areas that can provide full banking services.

The territorial limitation of the activity of cooperative banks results from the amount of the initial capital held. If the initial capital is below 1 000 000 euros, then cooperative banks may carry out their activity only within a district (powiat). When the initial capital ranges from 1 000 000 to 5 000 000 euros, then the cooperative banks may carry out their activity throughout the whole voivodship. However, if the amount of the initial capital exceeds 5 000 000 euro, then the

cooperative bank may carry out its activity throughout the whole country. The owners of a cooperative bank are the cooperative members. However, the power in the institution is exercised by the general meeting. A fact worth noting is that each cooperative member has the right to vote (1 vote). In this case there is no restriction as to the obligation to have a specific number of shares in order to have the right to vote (Dobosiewicz 2011, pp. 50, 121-122.).

The Cooperative Law and the Banking Law have defined the conditions specifying the rules of establishing cooperative banks. They specify who may become the founder of a cooperative bank. There are two solutions. The first one specifies that the founders may be 10 natural persons (similarly as in the case of cooperatives) (Cioch 2011, p. 159). The second solution states that the founders of a cooperative bank may be three legal persons. However, what is important is that none of them may be burdened with credit or loan (Orzeszko 1998, p. 85-86).

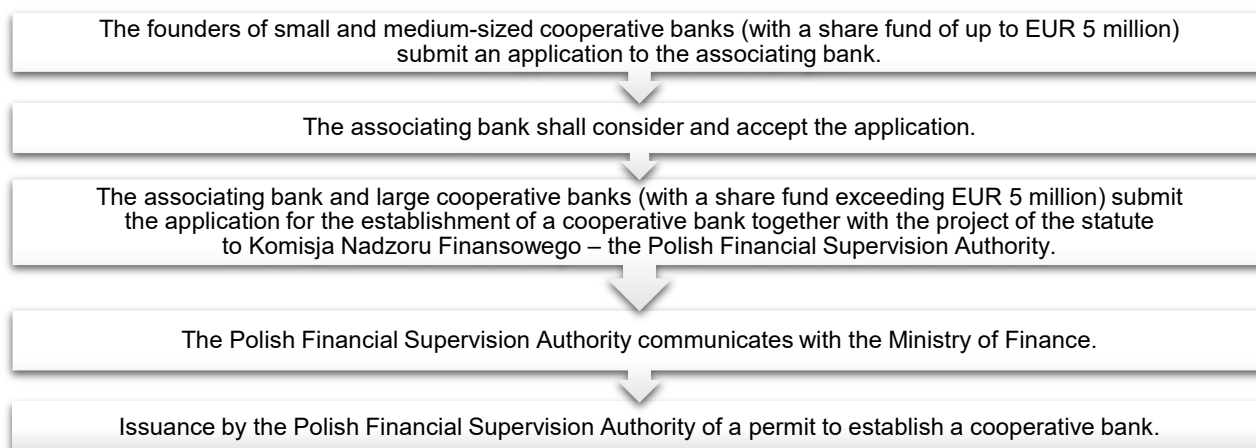


Figure 1. Stages of establishing a cooperative bank¹

Source: Own analysis on the basis of the ustawy z dnia 29 sierpnia 1997 r. prawo bankowe, Dz.U. 2016 poz. 1988.; ustawy z dnia 7 grudnia 2000 r. o funkcjonowaniu banków spółdzielczych, ich zrzeszaniu się i bankach zrzeszających Dz.U. z 2022 r. poz. 872.; H. Cioch, Prawo spółdzielcze, LEX, Warszawa 2011, p. 159.

Those wishing to establish a bank must draft a statute as part of the process of establishing a bank. The following information must be included: the address of the registered office, the amount of initial capital contributed in the process of establishing this type of institution. In addition, the statutes information on the rights and obligations of the founders, the rules under which new members may be admitted to the bank's structures should be clearly defined. Here the principles of functioning of the main bodies of the institution should be reliably defined. Another important element is that the word "cooperative" should be included in its name. Only after all these

requirements have been met is it possible to apply for a permit to establish a cooperative bank (Orzeszko, 1998, p. 87).

The permit is issued by the Polish Financial Supervision Authority. Once the permit is obtained, the bank may commence its operations and undertake activities specifically assigned to cooperative banks, which are regulated by relevant legal provisions. These activities include, first of all, accepting cash deposits, keeping bank accounts of its clients, or granting credits or loans, as well as bank guarantees. With these rights, cooperative banks may only perform these activities with natural or legal persons (Ustawa

o funkcjonowaniu banków spółdzielczych, ich zrzeszaniu się i bankach zrzeszających, – Act on the Functioning of Cooperative Banks, Their Association and Associating Banks, 2000, Art.6).

A natural or legal person may become a member of a cooperative bank. An additional condition is that they meet all the requirements included in the bank's statutes. It is important that they have a registered office or reside in the territory in which the cooperative bank operates.

The basic bodies of a cooperative bank are its general meeting, supervisory board, management board and other bodies included in the bank's statute. The fundamental tasks of the general meeting of a cooperative bank include analyzing the reports prepared by the supervisory board, as well as considering motions after receiving the minutes from the bank's activity. The second body in a cooperative bank is the supervisory board. Its main tasks include, first of all, the adoption of resolutions relating to business plans, or also to the acquisition of real estate or businesses, or other entities, exercising control over the bank's

activities or also dealing with complaints affecting the management board. The third and final body of a cooperative bank is the management board. Its main tasks include representing the bank and its interests outside. In addition, he has the ability to convene general meetings, as well as keep a list of members. In addition, it is the duty of the management board to report any changes in the statute to the registry court (Orzeszko, 1998, pp. 90-97).

Analysis of selected data on cooperative banks in Poland

Cooperative banks are an inseparable element of the banking system. As history shows, over the decades (or even centuries), these banks have conducted their activities in a variety of ways. In order to determine the current shape and direction of development of these institutions, it is necessary first of all to analyse financial and non-financial data.

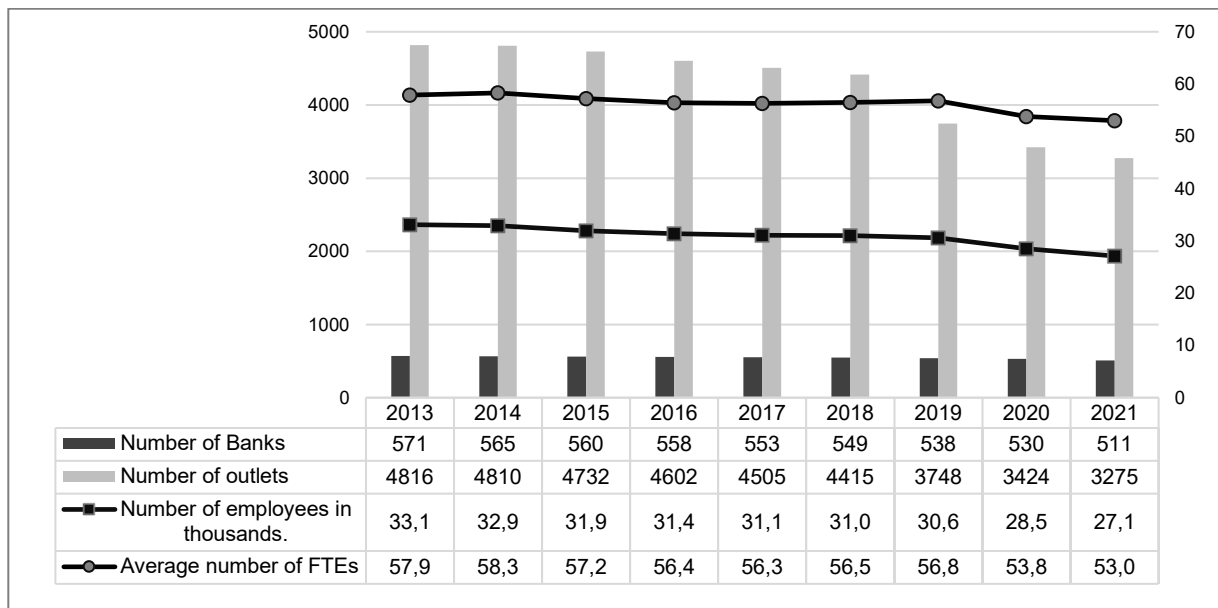


Figure 2. The development of the cooperative banking sector in Poland in the years 2013-2021.2

Source: Own study based on Information on the situation of cooperative and associating banks in the years 2013-2021.

In the years 2013-2021, a clear decrease in the number of cooperative banks in Poland, and thus their branches, can be observed. In 2021, compared to 2013, there were 10.5% fewer cooperative banks on the Polish interbank market. In relation to the branches of these institutions, a decrease in their number is visible during the period under examination at the level of about 32%. These changes are dictated mainly by voluntary bank mergers on the basis of

cooperative law. The current shape of cooperative banks in Poland was also influenced by the decision of the Polish Financial Supervision Authority, which in 2015 approved the agreements of institutional protection systems for the functioning of banks associating cooperative banks. The number of participants in Institutional Protection Schemes (IPS) is constantly evolving (shaping of IPS systems is presented in Table 1). The creation of institutional protection systems

was primarily aimed at increasing the security of the cooperative banking sector. The years 2016-2018 became a transitional period for cooperative banking because banks that did not meet the requirements of the Act on the Functioning of Cooperative Banks, their Association and Associating Banks became independent by virtue

of the Act. The decreasing number of cooperative banks also affected employment in individual branches; because in 2013 the average employment amounted to almost 60 FTEs, and in 2021 only 53 FTEs.

Table 1. Development of the institutional protection system of cooperative banks in the years 2013-2021

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021
IPS BPS	206	204	249	286	352	349	322	326	316
IPS SGB	364	360	195	198	199	196	194	192	184

Source: Own study based on Information on the situation of cooperative and associating banks in the years 2013-2021.

Table 2. Selected financial data of cooperative banks in the years 2013-2021

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Number of Banks	572	571	565	560	558	553	549	538	530	511
Balance sheet total (in millions)	85,8	96,5	104,8	108,2	120,7	130,3	138,4	150,7	167,2	184,9
Net financial result	967,6	748,8	774,8	535,4	567,7	697,5	623,9	639,3	504,2	726,4
Own funds (in millions)	8,6	9,7	10,3	10,5	10,9	11,5	12,1	12,4	13,1	13,2
Value of deposits (in millions)	73,5	83,4	87,1	94,1	106	115,2	123,2	135,2	151,5	169

Source: Own study based on Information on the situation of cooperative and associating banks in the years 2013-2021.

Over the period under review, an upward trend in relation to the balance sheet total achieved by cooperative banks is noticeable. This has partly to do with the banks' own funds. Noteworthy is the size of deposits entrusted by bank customers, which in 2021 was higher by almost 80% as compared to 2013. In 2015, there was a dramatic decrease in the net financial result of the cooperative banking sector. This digressivity resulted from the need to withdraw funds from the funds for the protection of guaranteed funds under the deposit guarantee in the Wołomin cooperative

bank. The following years. i.e. in 2019, the situation of cooperative banks was stable. The main growth factors include increased results by additional and a decrease in special-purpose reserves. The year 2020 saw another decrease in the value of the financial result caused inter alia: a reduction in interest rates by the National Bank of Polish.

From the presented data, it can be concluded that the number of cooperative banks operating in Polish does not translate directly into the financial results of these institutions.

Table 3. Selected ratios of cooperative banks in the years 2013-2021 (PLN thousand)

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Assets / Employment	2,6	2,9	3,1	3,4	3,8	4,2	4,5	4,9	5,8	6,8
Net financial result / Employment	29,3	22,6	23,2	14,5	18,5	20,2	20,1	21,2	16,7	26,8
Labour costs / Employment	60,8	60,2	61,4	62,3	63,4	66,3	69,0	73,1	75,7	79,3

Source: Own study based on Information on the situation of cooperative and associating banks in the years 2013-2021.

The level of the asset-to-employment ratio almost tripled during the years 2012-2021 due to the increasing balance sheet total and the reduction of employment in individual banks. An upward trend is also observed in relation to the ratio of labour costs to employment. Only the ratio determining the ratio of the net financial result generated by cooperative banks to the level of employment maintains the trend at a relatively stable level. The exception here is in which, as already mentioned, the cooperative banking sector generated a lower net financial result.

Cooperative banks in Poland, despite the smaller number of banks, also their branches are constantly developing. Recent years have brought a number of transformations, the main goal of which was cooperative activity in Poland.

Conclusion

Cooperative banks are a vital part of the Polish banking system. Through their activities they ensure the development of the local community, as

well as contribute to maintaining the stability of the banking system. The aim of this paper has been to present the long history of banking cooperatives as well as the principles according to which these institutions currently operate. According to the research carried out in this article, cooperative banks are constantly developing and evolving. Despite the decreasing number of these institutions and thus their branches of employment reduction in individual branches, the cooperative banking sector shows in its financial statements increases in both balance sheet total and equity. This is mainly due to bank mergers, changes in legal regulations or consumer behaviour.

This study does not take into account macroeconomic events taking place in 2022, which in the future will have a significant impact on the functioning of the banking system both in Poland and in the world, including cooperative banks, one of the most important statutory objectives of which is to take care of the needs of the local community.

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